

To: Honorable Public Utilities Board

Submitted by: _____ (S) _____

Rebecca Irwin
AGM – Customer Resources

From: Bill Garvine
Sr. Customer Program Coordinator

Approved by: _____ (S) _____

Elizabeth D. Warmerdam
Interim General Manager

Subject: By Motion, Application of the Economic Development Incentive Rate to
Concreteworks Cladding Company

RECOMMENDATION

By motion, approve the application of the Economic Development Incentive Rate (EDID) to Concreteworks Cladding Company.

BACKGROUND

Concreteworks Cladding Company (CCC), a subsidiary of Concreteworks, Inc., began a location search for a facility to house a proprietary pressed concrete manufacturing center in mid-2014. After a location search within the metropolitan East Bay area, the company and its agents developed a short list of potential sites and engaged economic development representatives within the competing cities. In the first meeting, in late 2014, with City of Alameda (City) Community Development Department representatives, CCC was presented with the Alameda Municipal Power (AMP) EDID as an incentive for location within Alameda.

CCC ultimately decided, in February 2015, that the vacant Allied Engineering campus on Blanding Avenue, packaged with the various incentives offered by the City including the EDID, was the preferred site. Negotiations to secure the property were successfully concluded in March 2015. CCC certified to City and, later, to AMP staff that the EDID, combined with AMP's published commercial rates, were significant material factors in the decision to establish the business in Alameda.

Subsequent to taking occupancy, but after the property acquisition transaction was closed, it was determined that the toxic levels at the property exceeded the initial declarations. CCC was forced to delay its move in until this issue was resolved. Ultimately, the CCC manufacturing facility opened for business, after extensive remodeling, design and installation of custom, one-of-a-kind production equipment and the toxic remediation, and established three service accounts with AMP in July 2015. Currently, the facility houses 80 workers and is operating one full shift per day. CCC has plans to add a second shift and approximately 50 new jobs by mid-2017.

In April 2015, the Board passed a recommended rate proposal that did not include an Economic Development Incentive Rate. That action became effective in July 2015. A CCC application for the EDID was submitted to AMP in August of 2015.

Prior to the formal application of the Economic Development Incentive Rate to any customer account, AMP requires the completion of a comprehensive energy audit.

DISCUSSION

This recommended action is based on an understanding that well in advance of the elimination of the Economic Development Incentive Rate, CCC had evaluated, selected, negotiated to acquire, and, ultimately secured the Blanding Avenue location. CCC, City Community Development staff, as well as AMP staff have certified that application of the EDID to the CCC project was a material factor in each step of the process and that other locations outside of Alameda had been considered.

The delay in the ability of CCC to establish electric service with AMP, a practical and essential factor in AMP's ability to apply the EDID to CCC, was caused by a factor that was well beyond the control of CCC and unknown to them until after they had acquired the property and were engaged in the facility design process. Additionally, due to CCC staffing transitions from the start-up to permanent on-site management and a backlog of workload caused by the toxic cleanup delay, CCC was unable to accommodate the audit until June 29, 2016. The audit report was completed and filed with AMP on July 18, 2016. Assuming Board approval, AMP intends to apply the EDID for the CCC accounts to the first full billing period subsequent to that approval.

FINANCIAL IMPACT

The formal application of the EDID will afford CCC a three-year declining discount of 15 percent from energy charges in the first year, and 10 and 5 percent discounts in the second and third year, respectively.

The chart below details Concreteworks most recent twelve-month usage and billing history for all three meters/accounts combined:

READ DATE	READ DAYS	kWh USAGE	DOLLARS BILLED
08.05.15	30	28,880	5,129
09.03.15	29	30,240	5,346
10.05.15	32	32,000	5,630
11.04.15	30	33,440	5,880
12.03.15	29	27,040	4,768
01.05.16	33	31,680	5,646
03.02.16	28	37,120	6,545

03.30.16	28	42,080	7,382
04.28.16	29	39,360	6,988
05.27.16	29	31,840	5,607
06.29.16	33	40,800	7,161
07.28.16	29	34,880	6,240
TOTAL	N/A	409,360	\$72,322

Cost-to-AMP estimates of the CCC EDID are based on the past 12 months' usage and billing data, as presented above, without any escalators applied to account for projected growth or changes in utility rate structures. Those estimated costs to AMP are:

First year \$ 10,848.30
Second year \$ 7,232.20
Third year \$ 3,616.10

LINKS TO BOARD POLICY AND OBJECTIVES

Strategy: KRA 1:

- 1.1 Ensure that customers have a positive experience, ensuring that AMP consistently achieves a 90 percent or greater in customer satisfaction by 2018.

- 1.4 Implement programs that increase revenues by 1 percent by 2020.

EXHIBIT

None